

AMENDED IN ASSEMBLY JULY 1, 2014  
AMENDED IN ASSEMBLY JUNE 18, 2014  
AMENDED IN ASSEMBLY JUNE 10, 2014  
AMENDED IN SENATE MAY 27, 2014  
AMENDED IN SENATE MAY 7, 2014  
AMENDED IN SENATE APRIL 10, 2014  
AMENDED IN SENATE MARCH 25, 2014

**SENATE BILL**

**No. 1371**

---

**Introduced by Senator Leno**  
(Principal coauthor: Assembly Member Mullin)  
**(Coauthor: Senator Hill)**

February 21, 2014

---

An act to add Article 3 (commencing with Section 975) to Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, relating to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 1371, as amended, Leno. Natural gas: leakage abatement.

The California Constitution establishes the Public Utilities Commission with regulatory authority over public utilities, authorizes the commission to establish its own procedures, subject to statutory limitations or directions and constitutional requirements of due process, and authorizes the commission to fix rates and establish rules for all public utilities, subject to control by the Legislature.

The Natural Gas Pipeline Safety Act of 2011, within the Public Utilities Act, designates the commission as the state authority

responsible for regulating and enforcing intrastate gas pipeline transportation and pipeline facilities pursuant to federal law, including the development, submission, and administration of a state pipeline safety program certification for natural gas pipelines.

The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to adopt regulations to require the reporting and verification of emissions of greenhouse gases and to monitor and enforce compliance with the reporting and verification program, and requires the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990, to be achieved by 2020.

This bill would require the commission, *giving priority to safety, reliability, and affordability of service*, to adopt rules and procedures governing the operation, maintenance, repair, and replacement of those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines to minimize leaks as a hazard to be mitigated pursuant to the Natural Gas Pipeline Safety Act of 2011 and to reduce emissions of natural gas from those facilities to the maximum extent feasible in order to advance the state's goals in reducing emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006. The bill would require the commission to commence a proceeding by January 15, 2015, to adopt those rules and procedures. The bill would require the commission to consult with the state board, the gas corporation's workforce, and those other state and federal entities that the commission determines have regulatory roles of relevance to ensure that the rules and procedures it adopts are not inconsistent with the regulations and procedures adopted by those agencies. The bill would require that the rules and procedures (1) provide for the maximum technologically feasible and cost-effective avoidance, reduction, and repair of leaks and leaking components in those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines within a reasonable time after discovery, (2) provide for the repair of leaks as soon as reasonably possible after discovery, consistent with established safety requirements and the goals of reducing air pollution and the climate change impacts of methane emissions, (3) evaluate the operations, maintenance, and repair practices for those facilities to determine whether existing practices are effective at achieving the goals of the bill and to determine whether alternative practices may be more effective at achieving the goals of the bill, (4) establish and require the use of best practices for

leak surveys, patrols, leak survey technology, leak prevention, and leak reduction, (5) establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking components not inconsistent with the protocols and procedures utilized in mandatory reporting to state and federal air quality agencies, and for evaluating and tracking leaks, both geographically and over time, so that operators, the commission, and the public have accurate information about the number and severity of leaks and about the quantity of gas that is emitted to the atmosphere over time, and (6) to the extent feasible, require the owner of each commission-regulated gas pipeline facility that is an intrastate transmission or distribution line to calculate and report to the commission a baseline systemwide leak rate, to periodically update that systemwide leak rate calculation, and to annually report measures that will be taken in the following year to reduce the systemwide leak rate to achieve the goals of the bill. ~~The~~ *In order to achieve transparency and accountability for rate revenues and best value for ratepayers, the bill would require that the commission consider specified topics in a manner consistent with the commission's existing ratemaking procedures and authority to establish just and reasonable rates.*

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

1 (a) The Legislature has established that safety of the natural gas  
2 pipeline infrastructure in California is a priority for the Public  
3 Utilities Commission and gas corporations, and nothing in this  
4 article shall compromise or deprioritize safety as a top  
5 consideration.

6 (b) It is undisputed that natural gas pipelines and infrastructure  
7 in California leak natural gas. The incidence of natural gas leaks  
8 and their repair is considered by the industry and regulators to be  
9 a significant indicator of pipeline integrity and safety.

10 (c) The Legislature has established a policy goal to significantly  
11 reduce emissions of greenhouse gases in California.

12 (d) There is a growing awareness of the potency of methane,  
13 the primary component of natural gas, as a greenhouse gas. The  
14 Intergovernmental Panel on Climate Change estimates that the  
15 global warming potential of methane is 28 times that of carbon  
16 dioxide over a 100-year time horizon and 84 times that of carbon  
17 dioxide over a 20-year time horizon. There is also a growing  
18 awareness that climate change impacts impose high social costs,  
19 including impacts upon the public health and economy.

20 (e) Reducing methane emissions by promptly and effectively  
21 repairing or replacing the pipes and associated infrastructure that  
22 is responsible for these leaks advances both policy goals of natural  
23 gas pipeline safety and integrity and reducing emissions of  
24 greenhouse gases.

25 (f) Existing federal and state rules and regulations pertaining to  
26 the natural gas transmission and distribution system and associated  
27 infrastructure were not developed for the purpose of preventing  
28 the climate change impacts from leaks of natural gas.

29 (g) Examining the methods used by gas corporations under  
30 existing federal and state rules to conduct and schedule leak repair  
31 and prevention based on the implications of these practices with  
32 respect to emissions of greenhouse gases, in addition to safety,  
33 will enable a more thorough evaluation of whether existing  
34 practices are commensurate with California's goals for reducing  
35 emissions of greenhouse gases.

36 (h) Reducing leaks and repairing pipelines and associated  
37 infrastructure in California provides significant employment  
38 opportunities for California residents and for domestic fabricators  
39 of high quality pipeline materials and other equipment associated  
40 with finding and fixing leaks.

1 (i) Providing just and reasonable rate revenues for gas  
2 corporations to find, categorize, and repair leaks promptly when  
3 discovered, including employing an adequate workforce, is in the  
4 public interest, and promotes the interests of customers and the  
5 public.

6 SEC. 2. Article 3 (commencing with Section 975) is added to  
7 Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, to  
8 read:

9  
10 Article 3. Methane Leakage Abatement

11  
12 975. (a) For purposes of this chapter, “commission-regulated  
13 gas pipeline facility” has the same meaning as defined in Section  
14 950.

15 (b) ~~The~~ *With priority given to safety, reliability, and affordability*  
16 *of service,* the commission shall adopt rules and procedures  
17 governing the operation, maintenance, repair, and replacement of  
18 those commission-regulated gas pipeline facilities that are intrastate  
19 transmission and distribution lines, as described in paragraphs (1)  
20 and (2) of subdivision (a) of Section 950, to achieve both of the  
21 following:

22 (1) Minimize leaks as a hazard to be mitigated pursuant to  
23 paragraph (1) of subdivision (d) of Section 961.

24 (2) While giving due consideration to the cost considerations  
25 of Section 977, reduce emissions of natural gas from those  
26 commission-regulated gas pipeline facilities that are intrastate  
27 transmission and distribution lines to the maximum extent feasible  
28 in order to advance the state’s goals in reducing emissions of  
29 greenhouse gases pursuant to the California Global Warming  
30 Solutions Act of 2006 (Division 25.5 (commencing with Section  
31 38500) of the Health and Safety Code).

32 (c) Not later than January 15, 2015, the commission shall  
33 commence a proceeding to adopt rules and procedures for those  
34 commission-regulated pipeline facilities that are intrastate  
35 transmission and distribution lines, as respectively described in  
36 paragraphs (1) and (2) of subdivision (a) of Section 950, to achieve  
37 the goals of subdivision (b).

38 (d) In developing the rules and procedures pursuant to  
39 subdivision (c), the commission shall consult with the State Air  
40 Resources Board, the gas corporation’s workforce, and those other

1 state and federal entities that the commission determines have  
2 regulatory roles of relevance, to ensure that the rules and  
3 procedures it adopts are not inconsistent with regulations and  
4 procedures adopted by those agencies.

5 (e) The rules and procedures adopted pursuant to subdivision  
6 (c) shall accomplish all of the following:

7 (1) Provide for the maximum technologically feasible and  
8 cost-effective avoidance, reduction, and repair of leaks and leaking  
9 components in those commission-regulated gas pipeline facilities  
10 that are intrastate transmission and distribution lines within a  
11 reasonable time after discovery, consistent with the California  
12 Global Warming Solutions Act of 2006 (Division 25.5  
13 (commencing with Section 38500) of the Health and Safety Code)  
14 to achieve the goals in subdivision (b).

15 (2) Provide for the repair of leaks as soon as reasonably possible  
16 after discovery, consistent with established safety requirements  
17 and the goals of reducing air pollution and the climate change  
18 impacts of methane emissions.

19 (3) Evaluate the operations, maintenance, and repair practices  
20 of those commission-regulated gas pipeline facilities that are  
21 intrastate transmission and distribution lines to determine whether  
22 existing practices are effective at achieving the goals of subdivision  
23 (b) and determine whether alternative practices may be more  
24 effective at achieving the goals of subdivision (b).

25 (4) Establish and require the use of best practices for leak  
26 surveys, patrols, leak survey technology, leak prevention, and leak  
27 reduction. The commission shall consider in the development of  
28 best practices the quality of materials and equipment from various  
29 sources, including foreign and domestic third-party suppliers.  
30 Collected leak data shall remain the property of the utility and  
31 shall be available to the commission and parties in commission  
32 proceedings as determined by the commission.

33 (5) Establish protocols and procedures for the development and  
34 use of metrics to quantify the volume of emissions from leaking  
35 components not inconsistent with the protocols and procedures  
36 utilized in mandatory reporting to state and federal air quality  
37 agencies, and for evaluating and tracking leaks, both geographically  
38 and over time, so that operators, the commission, and the public  
39 have accurate information about the number and severity of leaks

1 and about the quantity of natural gas that is emitted into the  
2 atmosphere over time.

3 (6) To the extent feasible, require the owner of each  
4 commission-regulated gas pipeline facility that is an intrastate  
5 transmission or distribution line to calculate and report to the  
6 commission a baseline systemwide leak rate, along with any data  
7 and computer models used in making that calculation, to  
8 periodically update that systemwide leak rate calculation, and to  
9 annually report on measures that will be taken in the following  
10 year to reduce the systemwide leak rate to achieve the goals of  
11 subdivision (b).

12 (f) The rules and procedures, including best practices and repair  
13 standards, shall be incorporated into the safety plans required by  
14 Section 961.

15 (g) Consistent with subdivision (e) of Section 961, the  
16 commission shall facilitate robust ongoing participation of the  
17 workforce of gas corporations and those state and federal entities  
18 that have regulatory roles of relevance in all aspects of the  
19 proceeding. Nothing in this section affects the commission's  
20 authority to determine eligibility for intervenor compensation.

21 ~~977. Consistent~~ *In order to achieve transparency and*  
22 *accountability for rate revenues and best value for ratepayers,*  
23 *and consistent* with the commission's existing ratemaking  
24 procedures and authority to establish just and reasonable rates, the  
25 commission shall consider all of the following:

26 (a) Providing an adequate workforce to achieve the objectives  
27 of reducing hazards and emissions from leaks, including leak  
28 avoidance, reduction, and repair.

29 (b) Providing revenues for all activities identified and required  
30 pursuant to Section ~~976~~, 975, including any adjustment of  
31 allowance for lost and unaccounted for gas related to actual leakage  
32 volumes.

33 (c) Providing guidance for treatment of expenditures as being  
34 either an item of expense or a capital investment.

35 (d) The impact on affordability of gas service for vulnerable  
36 customers as a result of the incremental costs of compliance with  
37 the adopted rules and procedures.

38 ~~(e) The social and public costs associated with climate change~~  
39 ~~and air pollution, including peer-reviewed estimates of the social~~  
40 ~~costs of emissions of greenhouse gases.~~

1     978. *Except as expressly so provided, this article does not*  
2 *expand or in any manner alter the commission's jurisdiction over*  
3 *the regulation of emissions of greenhouse gases.*

4     SEC. 3. No reimbursement is required by this act pursuant to  
5 Section 6 of Article XIII B of the California Constitution because  
6 the only costs that may be incurred by a local agency or school  
7 district will be incurred because this act creates a new crime or  
8 infraction, eliminates a crime or infraction, or changes the penalty  
9 for a crime or infraction, within the meaning of Section 17556 of  
10 the Government Code, or changes the definition of a crime within  
11 the meaning of Section 6 of Article XIII B of the California  
12 Constitution.